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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

FINJAN, LLC, a Delaware Limited Liability
Company,

Plaintiff,

v.

SONICWALL INC., a Delaware Corporation,
Defendant.

Case No.: 5:17-cv-04467-BLF-VKD

**SONICWALL INC.'S RESPONSE TO
FINJAN'S MOTION IN LIMINE NO. 2 TO
PRECLUDE CERTAIN DAMAGES
TESTIMONY BY DR. BECKER**

Date: March 18, 2021
Time: 1:30 PM
Courtroom: 3, 5th Floor
Judge: Hon. Beth Labson Freeman

REDACTED

TABLE OF REFERENCED EXHIBITS¹

September 4, 2020 Expert Report of DeForest McDuff, Ph.D.	Ex. 37
October 9, 2020 Expert Report of Stephen L. Becker, Ph.D. on Behalf of Defendant	Ex. 38
Errata to Expert Report of Stephen L. Becker, Ph.D. on Behalf of Defendant, SLB-1A and SLB-1B	Ex. 39
November 2, 2020 deposition of DeForest McDuff, Ph.D	Ex. 41

¹ All exhibits are attached to the Declaration of Jarrad M. Gunther.

Dr. Becker correctly applied the governing damages law to the evidence in this case. Each of Finjan's challenges is separately addressed below, and each fails.

I. ARGUMENT AND CITATIONS TO AUTHORITY

A. Dr. Becker's Methodology Appropriately Captures Damages From the Date of First Infringement, and Then Limits Those Damages Based Upon Finjan's Failure to Comply with the Marking Statute

Finjan's first argument appears to be that Dr. Becker's opinion is too generous to Finjan, suggesting that Dr. Becker includes damages prior to Finjan's actual notice. While this would be an odd objection, the premise is (unsurprisingly) incorrect: Dr. Becker's ultimate reasonable royalty opinion *only* includes damages to compensate for the alleged infringement occurring from the date of actual notice through patent expiration.

To reach his ultimate opinions, Dr. Becker first determined the date of the hypothetical negotiation, which would have occurred on the dates of alleged first infringement for each patent. This is exactly what the law requires. *See, e.g., Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1079 (Fed. Cir. 1983) (“The key element in setting a reasonable royalty ... is the necessity for return to the date when the infringement began.”); *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1575 (Fed. Cir. 1988) (hypothetical royalty negotiation methodology speaks of “negotiations as of the time infringement began”), *overruled on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004). Here, Finjan’s damages expert, Dr. McDuff, opined that [REDACTED]

[REDACTED].” Ex. 37 ¶ 35; see also McDuff
Table 1. Dr. Becker adopted these same dates for his analysis. Ex. 38 ¶ 12(A) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]”).

Next, Dr. Becker correctly opined that damages for SonicWall’s alleged infringement ordinarily would begin as of the date of first infringement, not the date of actual notice. Again, this is what the law directs. *Wang Lab’ys, Inc. v. Toshiba Corp.*, 993 F.2d 858, 870 (Fed. Cir. 1993) (“[T]he court confused limitation on damages due to lack of notice with determination of the time

1 when damages first began to accrue, and it is the latter which is controlling in a hypothetical royalty
 2 determination.”). Indeed, it would have been error to adopt the date of notice as the hypothetical
 3 negotiation date (and the beginning of damages), as opposed to the date of first infringement. *Id.*
 4 (“[T]his case is governed by the rule in *Fromson*, in which hypothetical negotiations were
 5 determined to have occurred when the infringement began . . . even though, under 35 U.S.C. § 286,
 6 the infringer was only liable for damages for the six years prior to the filing of the infringement
 7 action.”). To show how he complied with the law, Dr. Becker “showed his work” and determined
 8 what the reasonable royalty would be as of the date of first infringement, absent any “limitation on
 9 damages due to lack of notice.” *Id.* These calculations are set forth in the column titled “Total
 10 Discounted Royalties (prior to limitations)” in each of SLB-1A (Errata) and SLB-1B (Errata). Ex.
 11 39. Had Finjan complied with the marking statute, Dr. Becker’s analysis would have ended there.

12 But Finjan did not comply with the marking statute, and therefore Dr. Becker undertook
 13 additional analysis to determine Finjan’s “recoverable damages” in light Section 287’s “temporal
 14 limitation on damages for infringement.” *Power Integrations, Inc. v. Fairchild Semiconductor Int’l,*
 15 *Inc.*, 711 F.3d 1348, 1379 (Fed. Cir. 2013) (emphasis in original); *see also id.* (“While the marking
 16 statute limits recovery of damages for infringement occurring before the ‘infringer was notified of
 17 the infringement,’ the statute refers to the pre-notice infringing activity as ‘infringement.’ 35 U.S.C.
 18 § 287(a). Indeed, pre-notice infringement is still infringement. What differs is that a patentee may
 19 not recover damages for such pre-notice infringement.”) (emphasis in original)). Dr. Becker set forth
 20 these calculations in the column titled “Total Discounted Royalties (after limitations)” in each of
 21 SLB-1A (Errata) and SLB-1B (Errata), to account for the parties’ differing views on when actual
 22 notice was provided. Ex. 39. These columns represent Dr. Becker’s ultimate damages opinions.

23 *AstraZeneca* does not suggest a different result. Dkt. 370, at 2-3 (citing *AstraZeneca AB v.*
 24 *Apotex Corp.*, 782 F.3d 1324, 1343 (Fed. Cir. 2015)). The issue in that case was the inclusion of
 25 revenues in a royalty base that were earned after patent expiration. Because “there can be no
 26 infringement once the patent expires,” this was improper. *Id.* None of Dr. Becker’s opinions—his
 27 interim “prior to limitations” opinions or his final “after limitations” opinions—suffer this defect
 28

1 because “pre-notice infringement is still infringement.” *Power Integrations*, 711 F.3d at 1379.
 2 “What differs is that a patentee may not recover damages for such pre-notice infringement.” *Id.*

3 Put simply, Dr. Becker’s methodology for first determining when infringement began (and
 4 thus damages started to accrue), and then (second) limiting the damages based on the date of actual
 5 notice, is in full compliance with the relevant damages law, and Finjan has cited no authority to
 6 suggest otherwise. Accordingly, this portion of Finjan’s motion should be denied.

7 **B. Dr. Becker’s Methodology for Determining the Appropriate Royalty Base Gives**
 8 **Full Effect to Finjan’s Own Licensing Policies and Practices**

9 Finjan’s second complaint—that Dr. Becker’s model “ignores years of accused SonicWall
 10 revenue” (Dkt. 370, at 2)—is also without merit. Finjan’s complaint seems to assume that Dr. Becker
 11 was using exactly the same model as Finjan’s expert, which (although nominally couched as a lump
 12 sum) is essentially a running royalty that has SonicWall paying Finjan a royalty on every sale of the
 13 accused products, projected out to expiration (as necessary). However, Dr. Becker opined that the
 14 hypothetical negotiation(s) would have resulted in a different methodology for calculating a
 15 reasonable royalty: a fully paid-up lump sum amount calculated using Finjan’s own “lump sum”
 16 licensing policies and practices. Specifically, Dr. Becker noted that [REDACTED]
 17 [REDACTED]
 18 [REDACTED] Ex. 38 ¶ 298 & n. 547; *see also*
 19 *id.* ¶¶ 415 (the [REDACTED]
 20 [REDACTED]
 21 [REDACTED]) (emphasis added), 422 (“[REDACTED]
 22 [REDACTED]
 23 [REDACTED]”) & nn. 666 – 669, 423 (“[REDACTED]
 24 [REDACTED]
 25 [REDACTED]
 26 [REDACTED]”). Finjan does not challenge these conclusions.

1 In other words, Dr. Becker applied Finjan's own licensing practices, [REDACTED]
 2 [REDACTED]
 3 [REDACTED] as Dr. McDuff himself conceded. *See also* Ex. 41 at 64:7-
 4 12 ("[REDACTED]"). Dr.
 5 Becker's lump sum analysis, therefore, appropriately looked at [REDACTED]
 6 [REDACTED] (and execution of the
 7 hypothetical license). This methodology does not, as Finjan accuses, preclude Finjan from "§ 284's
 8 requirement of a remedy for infringement." (Dkt. 370, at 4). Rather, it faithfully applies Finjan's
 9 actual licensing policies and the real-world negotiation of a lump sum agreement.

10 Finjan's real complaint appears to be that Dr. Becker [REDACTED]
 11 [REDACTED]
 12 [REDACTED]
 13 [REDACTED]. Both parties' experts agree that Finjan consistently negotiates lump sum
 14 licenses, which differ significantly from running royalty licenses. *Lucent Techns., Inc. v. Gateway,*
 15 *Inc.*, 580 F.3d 1301, 1326 (Fed. Cir. 2009) (explaining the pros and cons of a lump sum license
 16 compared to a running royalty structure). Dr. Becker's analysis is faithful to the lump sum structure.

17 Finally, even if Finjan's criticisms had some merit (which they do not), these criticisms would
 18 not justify excluding Dr. Becker's opinions. Finjan does not even challenge Dr. Becker's opinions
 19 on the '844 and '494 Patents on this basis. For the other three remaining patents – the '780, '968,
 20 and '408 Patents – Dr. Becker's opinions clearly meet the reliability and relevance requires of
 21 *Daubert*, and Finjan is free to cross examine him on how consideration of SonicWall's revenues
 22 through patent expiration would affect his lump sum reasonable royalty. *See, e.g., Icon-IP Pty Ltd.*
 23 *v. Specialized Bicycle Components, Inc.*, 87 F. Supp. 3d 928, 940 (N.D. Cal. 2015) ("the *Daubert* test
 24 'is not the correctness of the expert's conclusions but the soundness of his methodology.' ...
 25 Harrigan's testimony will be open to attack on cross-examination, and it will be up to the jury to
 26 decide the appropriate weight to give this evidence.").

27 C. Dr. Becker's Opinions Regarding the Sale of the Patents-in-Suit Are Relevant

28 Lastly, Finjan asks the Court to strike Dr. Becker's opinions related to Finjan's sale of the

Patents-in-Suit to Fortress, arguing that “[e]ven Dr. Becker’s own analysis does not deem the acquisition to be a consideration at the hypothetical negotiation.” Dkt. 370, at 5. It is not clear how Finjan reached this conclusion, as Dr. Becker repeatedly points to the Fortress acquisition as supportive of his reasonable royalty opinions (which are, as set forth above, based upon what the parties would have agreed to at the hypothetical negotiation), and emblematic of the over-reaching of Dr. McDuff’s opinions. *See, e.g.*, Ex. 38 ¶ 447(G) (“[REDACTED]”).

Finjan has also not identified any facts that would differentiate Dr. Becker’s opinions as to the relevancy of the Fortress acquisition to the hypothetical negotiation in this case, from his opinions as to the relevancy of the same to the Cisco negotiation. As this Court previously held, “Finjan’s acquisition is relevant as both it and the hypothetical negotiation concern ‘some interest’ in the [] patents-in-suit.” Order Granting motion for Leave to Supplement Expert Report on Damages, *Finjan LLC v. Cisco Sys., Inc.*, Case No. 17-cv-00072-BLF, Dkt. 713 (N.D. Cal. Sept. 21, 2020) (“*Cisco Order*”) (citing *Comcast Cable Commc’ns LLC v. Spring Commc’ns Co., LP*, 262 F. Supp. 3d 118, 146 (E.D. Pa. 2017), *Spectralytics, Inc. v. Cordis Corp.*, 650 F. Supp. 2d 900, 914 (D. Minn. 2009), *aff’d in part, vacated in part*, 649 F.3d 1336 (Fed. Cir. 2011) (finding 2003 sale of plaintiff was “unquestionably relevant” to hypothetical license negotiation in 1998 and weighing this evidence was “a task for the jury”); *Pers. Audio, LLC v. Apple, Inc.*, 2011 WL 3269330, at *10 (E.D. Tex. July 29, 2011) (“the jury could, and should, have given substantial weight” to patentee’s “2008 offer to sell, not merely to license, the actual patents-in-suit, not merely comparable technology” when evaluating the 2001 hypothetical negotiation)). Finjan cites no new authority or arguments that would alter this well-reasoned analysis and, therefore, the Court should deny Finjan’s request to strike Dr. Becker’s opinions as to the Fortress acquisition.

1 Dated: March 11, 2021

Respectfully Submitted,

2 /s/ Nicole E. Grigg

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SONICWALL INC.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of **SONICWALL INC.'S RESPONSE TO FINJAN'S MOTION IN LIMINE NO. 2 TO PRECLUDE CERTAIN DAMAGES TESTIMONY BY DR. BECKER** was served by ECF on all counsel of record on March 11, 2021.

/s/ Nicole E. Grigg
Nicole E. Grigg